

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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In the Matter of the Application of
California-American Water Company (U
210 W) for an order authorizing it to
increase its rates for water service in its Los
Angeles District to increase revenues by
\$2,020,466 or 10.88% in the year 2007;
\$634,659 or 3.08% in the year 2008; and
\$666,422 or 3.14% in the year 2009

A.06-01-005

**CALIFORNIA-AMERICAN WATER COMPANY PREHEARING CONFERENCE
STATEMENT**

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November 16, 2007

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I. INTRODUCTION

As directed by Administrative Law Judge Walwyn at the October 17, 2007 prehearing conference, California-American Water Company ("California American Water") submits its prehearing conference statement for the upcoming prehearing conference in this proceeding, scheduled for Tuesday, November 20, 2007. In this prehearing conference statement, California American Water will first address the issues raised by the City of Duarte ("Duarte") and the City of Bradbury ("City") (collectively "the Cities") in their respective prehearing conference statements, served November 16, 2007.¹ Second, California American Water will address the issue of conservation rate design and the possibility of a settlement.

II. THE CITIES

Both Duarte and Bradbury take issue with certain proposed capital projects for the San Marino service area, based on the allegation that the capital projects are for the sole benefit

¹ Both Duarte and Bradbury titled their characterized their documents as "objections to the adoption of the settlement agreement between the Division of Ratepayer Advocates and California-American Water Company." Since the settlement has not yet been filed, Administrative Law Judge Walwyn informed the parties via email that the Duarte and Bradbury documents would be considered prehearing conference statements.

of the San Marino service area. The arguments of the Cities, however, are fatally flawed.

First, the Cities ignore the fact that in the decade-plus since Los Angeles District was consolidated, the Duarte service area has had a higher level of invested capital per customer than the San Marino and Baldwin Hill service area. This remains true even when the capital improvement for the current rate case, including the San Marino projects to which the Cities object, are taken into account. The Cities have benefited by having this higher investment per customer spread out over the entire Los Angeles District. Despite the benefits they have received for over a decade, and will continue to receive such benefits, the Cities now balk at the current investment plan which anticipates higher annual investment in the San Marino service area, but which still leaves Duarte with the highest investment per customer between the three service areas.

Second, the fact that the pressure and fire flow improvements were mentioned in the San Marino franchise agreement is irrelevant. The pressure and fire flow improvements are exactly the type of improvements that have been made in the Baldwin Hills and Duarte service areas in the past. The San Marino service area customers shared in the cost of those improvements. Now that it has come time to make these improvements in the San Marino service area, it would be inequitable to change the allocation of costs to the specific service area, rather than over the entire Los Angeles District.

Last, the Cities are incorrect when they state that they will not benefit from the San Marino capital projects. The Patton Well and Treatment Project, the project to which the Cities seem to object most strenuously, could benefit the customers of the Duarte service as well as the customers of the San Marino service area. When California American Water does not use all of its Main San Gabriel Basin safe yield for the San Marino service area, it transfers that unused safe yield to the Duarte service area. This allocation allows California American Water to buy less replenishment water for the Duarte service area, a saving that is passed along directly to Duarte service area customers. The additional potable water supply in the Raymond Basin created by the Patton Well and Treatment Project could enable California American Water to

transfer more of its safe yield to the Duarte service area, a direct benefit to Duarte service area customers.

The Cities arguments are without merit. There is absolutely no reason for the Commission to tinker with the current consolidation of costs in the Los Angeles District as the Cities request. The Commission should affirm the current Los Angeles District consolidated rate structure, which will allow the parties to this proceeding to move forward to the pressing matter of conservation rate design.

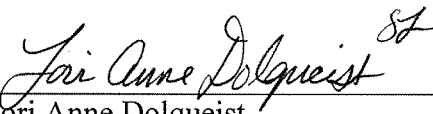
III. CONSERVATION RATE DESIGN

As mentioned in the Duarte prehearing conference statement, a settlement conference on rate design issues was held on October 30, 2007. In attendance were representatives from California American Water, Duarte, the City of San Marino ("San Marino") and the Division of Ratepayer Advocates ("DRA"). California American Water and DRA explained their proposed tiered conservation rate design to Duarte and San Marino. Although the parties at the settlement conference did not reach a formal agreement, California American Water believes that there is an excellent chance of settlement on conservation rate design principles.

Dated: November 16, 2007

Respectfully submitted,

STEEFEL, LEVITT & WEISS
A Professional Corporation

By: 
Lori Anne Dolqueist
Attorneys for Applicant
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PROOF OF SERVICE

I, Cinthia A. Velez, declare as follows:

I am employed in the City and County of San Francisco, California. I am over the age of eighteen years and not a party to this action. My business address is STEEFEL, LEVITT & WEISS, One Embarcadero Center, 30th Floor, San Francisco, California 94111-3719. On November 16, 2007, I served the within:

California-American Water Company Prehearing Conference Statement

on the interested parties in this action addressed as follows:

See attached service list



(BY MAIL) By placing such document(s) in a sealed envelope, with postage thereon fully prepaid for first class mail, for collection and mailing at Steefel, Levitt & Weiss, San Francisco, California following ordinary business practice. I am readily familiar with the practice at Steefel, Levitt & Weiss for collection and processing of correspondence for mailing with the United States Postal Service, said practice being that in the ordinary course of business, correspondence is deposited in the United States Postal Service the same day as it is placed for collection.



(BY PUC E-MAIL SERVICE) By transmitting such document(s) electronically from Steefel, Levitt & Weiss, San Francisco, California, to the electronic mail addresses listed above. I am readily familiar with the practices of Steefel, Levitt & Weiss for transmitting documents by electronic mail, said practice being that in the ordinary course of business, such electronic mail is transmitted immediately after such document has been tendered for filing. Said practice also complies with Rule 1.1 of the Public Utilities Commission of the State of California and all protocols described therein.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this declaration was executed on November 16, 2007, at San Francisco, California.


Cinthia A. Velez

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